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RUEHKO/AMEMBASSY TOKYO 7331
RUEHCN/AMCONSUL CHENGDU 0968
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RUESLE/AMCONSUL SHANGHAI 8274
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000159

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E.O. 12958: DECL: 01/17/2026

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SUBJECT: TAIWAN PREMIER FRANK HSIEH RESIGNS

Classified By: AIT Director Douglas Paal, Reasons: 1.4 (B/D)

¶1. (C) Summary. Taiwan Premier Frank Hsieh announced his resignation on January 17, pledging that his entire cabinet will follow suit next week. President Chen told the press that he will name a new premier as soon as possible to ensure political stability and that he hopes a new cabinet will be in place before the January 29 Lunar New Year. Rumors have suggested that President Chen may name Su Tseng-chang, who resigned as Democratic Progressive Party (DPP) Chair last month to take responsibility for the DPP December 3 election loss, to replace Hsieh. This round of ministerial musical chairs will likely enhance the succession prospects of Su and damage those of Hsieh in the early jockeying for the DPP 2008 presidential nomination to face the very popular Kuomintang (KMT) Chairman and Taipei Mayor Ma Ying-jeou. Su will have to decide whether he feels lucky. Every DPP premier under Chen has been subject to Chen's public scorn, Legislative Yuan (LY) sniping, and low approval ratings. Su will have to decide if he is willing to gamble that he can succeed as premier and boost his current front-runner status for the DPP presidential nomination to likely face Ma Ying-jeou in 2008. The odds are not in his favor. End Summary.

¶2. (U) Premier Frank Hsieh (Chang-ting) called a press conference at noon on Tuesday, January 17, to announce that President Chen Shui-bian had accepted his offer to resign and that he and his entire cabinet will resign during a special meeting of the Executive Yuan next Monday, January 23. Speaking at a news conference after his resignation statement, Hsieh said that he had offered to resign twice since the DPP election loss on December 3, but that President Chen had asked him to stay on for the sake of political stability.

¶3. (U) Shortly before Premier Hsieh's press conference, President Chen, who was visiting troops in Kinmen (Quemoy), told the press that Hsieh would be stepping down because of the "overall situation." Chen said he will name a new Premier as soon as possible to ensure political stability and hopes the transfer to a new cabinet will be completed before the January 29 Lunar New Year.

¶4. (C) Hsieh's resignation ends weeks of speculation that he would depart following the fall legislative session, which ended January 13. Hsieh had offered to resign following the

December 3 local elections to take responsibility for the DPP's defeat, which was attributed to scandals involving the presidential office and "poor government performance." President Chen did not accept Hsieh's resignation at that time, citing the need for political stability. On January 1, Chen announced a new more restrictive policy on cross-Strait relations that differed from the moderate policies being pursued by Hsieh. Then, on January 15, former Presidential Office Secretary General Yu Shyi-kun, President Chen's candidate, won election as DPP party chairman, strengthening the president's weakened hand and setting the stage for Hsieh's resignation.

15. (C) Hsieh is one of the so-called "four princes," potential candidates for the DPP nomination for president in 2008, who also include DPP Chair-elect Yu Shyi-kun, former DPP Chairman Su Tseng-chang, and Vice President Annette Lu (Hsiu-lien). Su, who is the front-runner by far in public opinion polls, endorsed Yu's candidacy in the just-concluded DPP Chair election, creating expectations that the two men would work together well on party and government affairs and perhaps on the 2008 presidential election. Hsieh's prospects to win nomination are now viewed as poor because he was previously mayor of Kaohsiung and is therefore politically vulnerable on Taiwan's major corruption scandal, which involves construction of a rapid transit system in Kaohsiung. In addition, Hsieh and President Chen have a history of political rivalry.

16. (C) Many observers here suggest President Chen may appoint former DPP Chairman Su Tseng-chang as the next premier. Some believe this would add government leadership experience to Su's resume, enhancing his chances in the 2008 presidential election, in which the DPP is expected to face

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the popular KMT Chairman and Taipei Mayor Ma Ying-jeou. Some supporters of Su, however, fear that being premier will "reduce Su's stature," in the words of DPP New Tide faction leader Hung Chi-chang, and increase Su's vulnerability to attack by the opposition, which has a majority and a record of confrontation in the Legislative Yuan. In addition, they argue, Su will be constrained in what he can say and do by President Chen. Su will have to decide whether he feels lucky. Every DPP premier under Chen has been subject to Chen's public scorn, LY sniping, and low approval ratings. Su will have to decide if he is willing to gamble that he can succeed as premier and boost his current front-runner status for the DPP presidential nomination to likely face Ma Ying-jeou in 2008. The odds are not in his favor.
PAAL